EXHIBIT F

From: Kiefer, Dieter
Sent: Monday, March 08, 2004 6:42 AM
To: Welch, Mike
Cc: De-Angelis, Viviane
Subject: RE: Madoff

thanks Mike. It is not our intention to go into the fund. We have Key clients who have positions with Madoff and where we could eventually run into a settlement risk.
Regards Dieter

-----Original Message-----
From: Welch, Mike
Sent: vendredi, 5. mars 2004 19:07
To: Kiefer, Dieter
Cc: Schweizer, Danny
Subject: Madoff

Dieter,

I understand you are interested in more information on Madoff. I enclose a short write-up that we did a couple of years ago to help understand why we have not invested with this firm. You should understand that we never got enough transparency to truly see how they were generating returns, but our issue is that it could not have been how it was marketed. Therefore, we did not pursue it further.

Please understand that this information is confidential as it is subjective, and we would not want the market to know our opinion of the fund. As CIO of the JV, I do understand this to be a significant position. I fear that if we try to go in at this point, we will not get any additional information.

If you wish to discuss further, you can reach Bruce Amlicke or myself any time in Stamford.

Kind regards,
Mike

Redacted

Investment Approach
The current manager seeks to obtain capital appreciation by utilizing a non-traditional options trading strategy which they describe as a "split strike synthetic conversion" strategy. The portfolio consists of 30 to 35 large-cap S&P 100 stocks that are hedged with OEX index options (S&P100). A proprietary computer system continually optimizes this small basket of stocks to replicate and enhance the performance of the S&P 100 at low cost.

The establishment of a typical position entails (1) buying the single stocks, (2) selling the front month slightly out-of-the money calls (representing the same number of shares that were just bought), and (3) buying the same expiry slightly out-of-the money put options (funded by the premium from call sales and monthly dividend flows). If the manager has a bullish view for the month, the strike prices of the collar are spread wider around the OEX index price. With a bearish market view, the manager would narrow the option strikes on the collar. Their whole strategy can be legged into and does not generally go up together.

The driver of returns in the strategy is stock prices going higher. Madoff has run the strategy since 1990 with only a handful of negative months, generating 11% to 14% per annum EVERY year. Demand for the return stream has driven his asset base well over $10B

and people often speculate how Madoff actually makes money so consistently. As a point of background, Madoff happens to run one of the largest market making broker/dealer (B/D) in the world.

Thoughts and Rationale for NOT Investing
I argue that the strategy that Madoff implements is not a stand-alone hedge fund product. If Madoff were to run the strategy totally independently from his B/D, it would be IMPOSSIBLE to generate the returns that he has produced since 1990. The reason is quite simple - the skew in doing 1 month option collars where you sell out-of-the money (OTM) calls and buy the OTM puts is always working against you. For instance, if you want to buy OTM puts, sell OTM calls in the 1 month 1.5% OTM strikes, you would net pay away at least 2-3 vol points which is roughly 10BPs. If the strategy were implemented in a systematic way (as it is portrayed), market makers on the trading floor would dramatically worsen the spread paid away. This implies that every month, Madoff is starting his strategy below a level playing field.

Compounding issues for Madoff is that the OEX option pit has become reasonably illiquid since the index was cut in half a few years ago. Now it is considered to be illiquid by the major liquidity providers in the options markets. They are all playing the SPX now. There may be net dividend benefits given the stock basket selection, but far from enough to pay for the skew differential. Clearly it is not the strategy that is profitable - if the fund were to operate in a vacuum away from the B/D it would be a money losing proposition.

Another thing to consider about Madoff's product is that he does not charge fees for his hedge fund. The only people charging fees are those who distribute it Redacted etc) - clearly a boon for the distributors. Makes one ask the question of why Madoff would bother to have such a product when the only revenue coming from running outside money is commission dollars. I would argue that Madoff uses the product as a tool to improve his overall market-making business and enable him to provide the market liquidity without taking as much risk. He knows that he always has a bid for certain names in the fund which enables him to concentrate on the offer side - decreases the risk of making two-way prices. In any event, this is pure supposition. The simple fact that an investor has to start considering how the fund and the B/D benefit one another is a non-starter in our mind.